



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 18, 2018

H.R. 4731

A bill to extend the retained use estate for the Caneel Bay resort in St. John, United States Virgin Islands, and for other purposes

As ordered reported by the House Committee on Natural Resources on March 7, 2018

SUMMARY

Under current law, the Caneel Bay resort in the Virgin Islands National Park operates under a retained use estate (RUE), an arrangement that grants a private entity that is not the landowner managerial control over the resort. When the RUE expires in 2023, the National Park Service (NPS) will assume managerial control over the resort. H.R. 4731 would, upon request by the current RUE holder, extend the RUE for an additional 60 years.

H.R. 4731 would require the RUE holder to make payments that would be deposited into the general fund of the Treasury. Those payments would be recorded on the budget as offsetting receipts, which are recorded in the budget as reductions in direct spending. CBO estimates that enacting the bill would reduce direct spending by \$3 million over the 2019-2028 period. Because enacting H.R. 4731 would affect direct spending, pay-as-you-go procedures apply. Enacting the bill would not affect revenues.

CBO estimates that enacting H.R. 4731 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

H.R. 4731 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of H.R. 4731 is shown in the following table. The costs of the legislation fall within budget function 300 (natural resources and environment).

	By Fiscal Year, in Millions of Dollars											2019-	2019-
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2023	2028
DECREASES IN DIRECT SPENDING													
Estimated Budget Authority	0	0	0	0	0	0	*	*	-1	-1	-1	0	-3
Estimated Outlays	0	0	0	0	0	0	*	*	-1	-1	-1	0	-3

* = between -\$500,000 and zero.

The bill would require an independent appraisal of the fair-market value of payments. CBO estimates that the appraisal would cost less than \$500,000, subject to the availability of appropriated funds.

BASIS OF ESTIMATE

For this estimate, CBO assumes H.R. 4731 will be enacted near the end of 2018 and that the current RUE holder would request an extension of the agreement as provided in the bill.

Direct Spending

In 2017, the Caneel Bay resort sustained extensive damage from Hurricanes Irma and Maria. CBO expects that rehabilitation of the resort by the current RUE holder would be contingent on a long-term operating agreement between the NPS and the RUE holder. The two parties could enter into such an agreement under current law or under H.R. 4731.¹

Options under Current Law. Under current law, the NPS is authorized to enter into a long-term lease with the current RUE holder upon expiration of the RUE in 2023. If the two parties enter into a lease, the current RUE holder will be required to make fair-market rental payments to the NPS that are equal to a percentage of the gross revenues of the resort; those payments would be recorded in the federal budget as offsetting receipts. (Currently, the RUE holder does not make any payments to the NPS.) Based on an appraisal of the property, CBO estimates that under this scenario the NPS would collect, on average, \$750,000 annually over the 2024-2028 period.

If the NPS decides not to enter into a long-term lease with the current RUE holder, it will assume management of the resort on October 1, 2023. CBO has no information about

1. For this estimate, CBO assumes that the NPS will not seek appropriations to rebuild the resort or enter into a concession contract after 2023.

whether the agency plans to rebuild and operate the resort if reconstruction and operations are not initiated prior to that date. Because we do not know whether the NPS and the current RUE holder will enter into a lease, CBO assumes that the probability of the two parties entering into a long-term lease under current law is 50 percent.² Adjusting for that probability, CBO estimates that lease payments would total about \$2 million over the 2024-2028 period. Under current law, any amounts collected by the NPS are available to be spent without further appropriation for visitor services and resource protection within the Virgin Islands National Park. Based on historical spending patterns, CBO estimates that the agency will spend \$1 million, or about half of the expected collections, at that park over the 2024-2028 period. Therefore, CBO estimates that under current law, the expected net operating expenses for that park will decline by \$1 million over the 2024-2028 period.

RUE Extension. Under the bill, CBO expects that the current RUE holder would pay amounts similar to those expected under current law (\$750,000 annually, beginning in 2024) for a total of about \$4 million over the 2024-2028 period. Those payments would be recorded as offsetting receipts, would be deposited into the general fund of the Treasury, and would not be available for spending unless appropriated. Thus, on net, CBO estimates that enacting H.R. 4731 would reduce direct spending by \$3 million over the 2024-2028 period (the \$4 million in savings under the bill minus the \$1 million that will be saved under current law).

Spending Subject to Appropriation

The bill would require an independent qualified appraiser to determine the fair market value of payments under the extended RUE. Based on the costs of similar tasks, CBO estimates that the appraisal would cost less than \$500,000; such spending would be subject to the availability of appropriated funds.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. As shown in the table on page 2, the net decrease in outlays that are subject to those pay-as-you-go procedures is \$3 million over the 2024-2028 period. Enacting the bill would not affect revenues.

2. CBO endeavors to develop estimates that are in the middle of the distribution of potential budgetary outcomes. In cases where there is no clear precedent for predicting agency behavior under a legislative proposal, CBO has adopted a convention of assuming a 50 percent chance of an agency using its discretion under the bill. CBO takes this approach in uncertain situations for the purpose of informing the Congress about the potential costs of legislation.

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting H.R. 4731 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

MANDATES

H.R. 4731 contains no intergovernmental or private-sector mandates as defined in UMRA.

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